

IN THE MATTER OF:

**THE RULES OF THE INVESTMENT INDUSTRY REGULATORY
ORGANIZATION OF CANADA**

AND

KAMAL LIDDER

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

1. The Investment Industry Regulatory Organization of Canada (“IIROC”) will issue a Notice of Application to announce that it will hold a settlement hearing to consider whether, pursuant to Section 8215 of the Consolidated Enforcement, Examination and Approval Rules of IIROC, a hearing panel (“Hearing Panel”) should accept the settlement agreement (“Settlement Agreement”) entered into between the staff of IIROC (“Staff”) and Kamal Lidder (“Respondent”).

PART II – JOINT SETTLEMENT RECOMMENDATIONS

2. Staff and the Respondent jointly recommend that the Hearing Panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

3. For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

4. The Respondent developed a strategy that he believed would compound gains and achieve superior results to the broader market. The strategy consisted of picking one large cap stock at the beginning of the week and selling it at the end of the week. The process was repeated with a new stock the following week (the “Strategy”). The Respondent prepared and sent sales and marketing materials to some clients to inform them about the Strategy. These sales and marketing materials contained performance summaries of the Strategy and were not approved for distribution to clients by the Respondent’s Dealer Member as required by Dealer Member Rule 29.7(2) and (3).
5. In order to simplify implementation of the strategy, the Respondent engaged in discretionary trading in some of the 15 client households that agreed to participate in the Strategy. The clients were aware of the Respondent’s discretionary trading in their accounts but the Respondent did not obtain the prior written authorization from the clients and the firm required in Dealer Rule 1300.4 to engage in any discretionary trading in clients’ accounts.

Background

6. The Respondent was employed at the Vancouver branch of BMO Nesbitt Burns (“BMO”) from October 2012 until September 26, 2019.

The Strategy

7. Beginning in February, 2018, the Respondent designed the Strategy using available research tools that essentially involved picking one large cap stock at the beginning of the week and selling it at the end of the week. The process was repeated with a new stock the

following week although there was no pick during certain weeks. The intent was to compound the gains and achieve superior results to the broader market.

8. The Respondent created some marketing and sales materials explaining the Strategy and showing some back tested historical performance and examples of the effectiveness of the Strategy (the "Materials"). The Materials were presented to certain clients that showed interest in participating and were suitable for those clients. The Materials contained no risk disclosures and were not approved by BMONB as required by BMONB's policies and procedures and Dealer Member Rule 29.7(3).
9. The stated intent of using the Materials was to provide information to clients and to provide a value added service and differentiate his offering from others in an effort to provide superior returns for his clients.
10. There were 22 clients' accounts involving approximately 15 separate households that participated in the Strategy. The Respondent sent the Materials to most of the clients who eventually participated in the Strategy. The Respondent also sent the Materials to some clients who did not participate in the Strategy.
11. In order to simplify the implementation of the Strategy (which involved the purchase and sale of a specific security over a short period of time) for the 15 households that agreed to participate in it, the Respondent engaged in discretionary trading from February 2018 to April 2019 for some of the accounts. The Respondent would send an email to all clients participating in the Strategy at the beginning of each week indicating what security was recommended for that particular week. The Respondent did not always follow up with this email and obtain specific instructions from each client regarding the price, quantity, security and timing, and therefore, engaged in discretionary trading to execute some of the transactions for the Strategy.

12. The respondent was undertaking steps to become a registered portfolio manager; however, during this time the Respondent was not registered as a portfolio manager with IIROC and did not comply with the provisions of Rule 1300.4 to engage in the discretionary trading.

PART IV – CONTRAVENTIONS

13. By engaging in the conduct described above, the Respondent committed the following contraventions of IIROC's Rules:

- a. Between February 2018 and April 2019, the Respondent executed discretionary transactions in clients' accounts contrary to Dealer Member Rule 1300.4.
- b. Between February 2018 and April 2019, the Respondent prepared sales literature which contained performance summaries to inform clients. The sales literature was not approved by the Respondent's supervisor prior to being sent to clients contrary to Dealer Member Rule 29.7(3).

PART IV – CONTRAVENTIONS

14. The Respondent agrees to the following sanctions and costs:
 - a. Fine of \$15,000; and
 - b. Costs of \$2,000.
15. If this Settlement Agreement is accepted by the Hearing Panel, the Respondent agrees to pay the amounts referred to above within 60 days of such acceptance unless otherwise agreed between Staff and the Respondent.

PART VI – STAFF COMMITMENT

16. If the Hearing Panel accepts this Settlement Agreement, Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.
17. If the Hearing Panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of the Settlement Agreement, Staff may bring proceedings under Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

18. This Settlement Agreement is conditional on acceptance by the Hearing Panel.
19. This Settlement Agreement shall be presented to a Hearing Panel at the settlement hearing in accordance with the procedures described in Sections 8215 and 8428, in addition to any other procedures that may be agreed upon between the parties.
20. Staff and the Respondent agree that this Settlement Agreement will form all of the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the Hearing Panel.
21. If the Hearing Panel accepts the Settlement Agreement, the Respondent agrees to waive all rights under the IIROC Rules and any applicable legislation to any further hearing appeal and review.
22. If the Hearing Panel rejects the Settlement Agreement, Staff and the Respondent may enter into another settlement agreement or Staff may proceed to a disciplinary hearing based on the same or related allegations.
23. The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the Hearing Panel.
24. The Settlement Agreement will become available to the public upon its acceptance by the Hearing Panel and IIROC will post a full copy of this Settlement Agreement on the IIROC website. IIROC will also publish a summary of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement.
25. If this Settlement Agreement is accepted, the Respondent agrees that neither he nor anyone on his behalf, will make a public statement inconsistent with this Settlement Agreement.
26. The Settlement Agreement is effective and binding upon the Respondent and Staff as of the date of its acceptance by the Hearing Panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

27. This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

28. A fax or electronic copy of any signature will be treated as an original signature.

DATED this 12th day of August, 2021.

“Witness”

Witness

“Kamal Lidder”

Kamal Lidder (Respondent)

“Witness”

Witness

“Stacy Robertson”

Stacy Robertson

Enforcement Counsel on behalf of
Enforcement Staff of the Investment
Industry Regulatory organization of
Canada

The Settlement Agreement is hereby accepted this 12th day of August, 2021 by the following Hearing Panel:

Per: “Joseph Bernardo”

Panel Chair

Per: “Alexandra Williams”

Panel Member

Per: “Bradley Doney”

Panel Member